REAL ESTATE ANALYSTS INC.

The Real Estate ANALYST

JANUARY 1938

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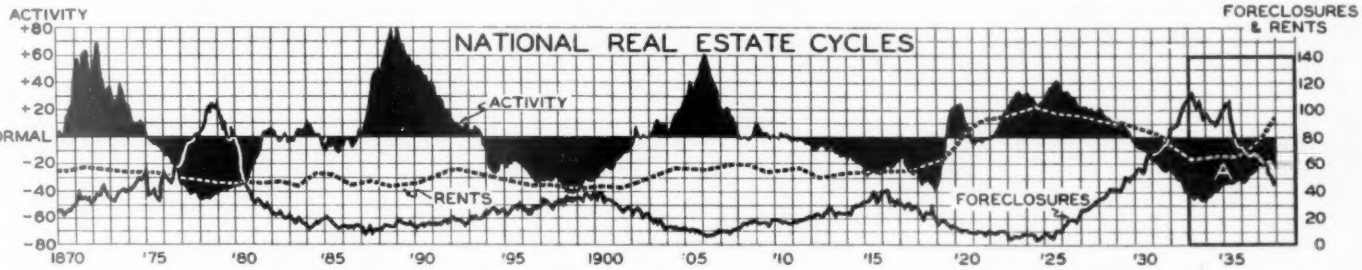
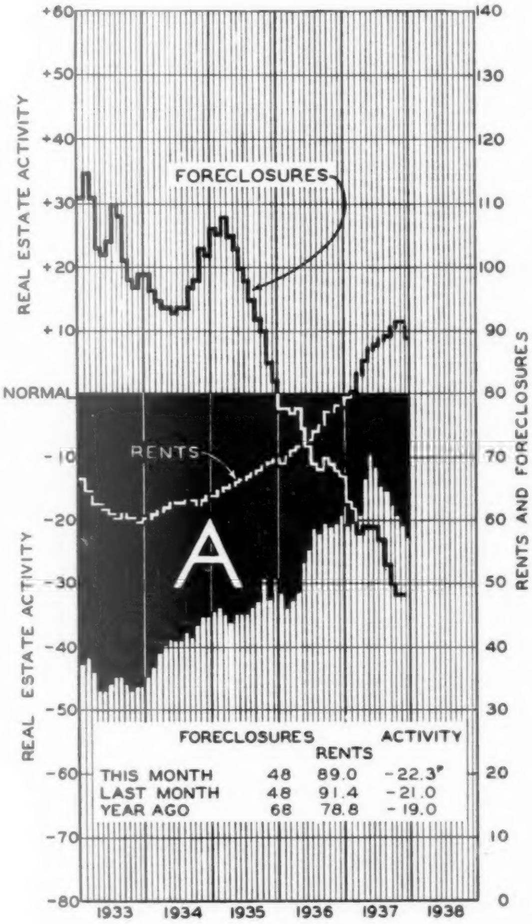
Editor

A concise easily digested monthly analysis based upon scientific research in real estate fundamentals and trends...Constantly measuring and reporting the basic economic factors responsible for changes in trends and values...Current Studies...Surveys...Forecasts

Real Estate Economists, Appraisers and Counselors





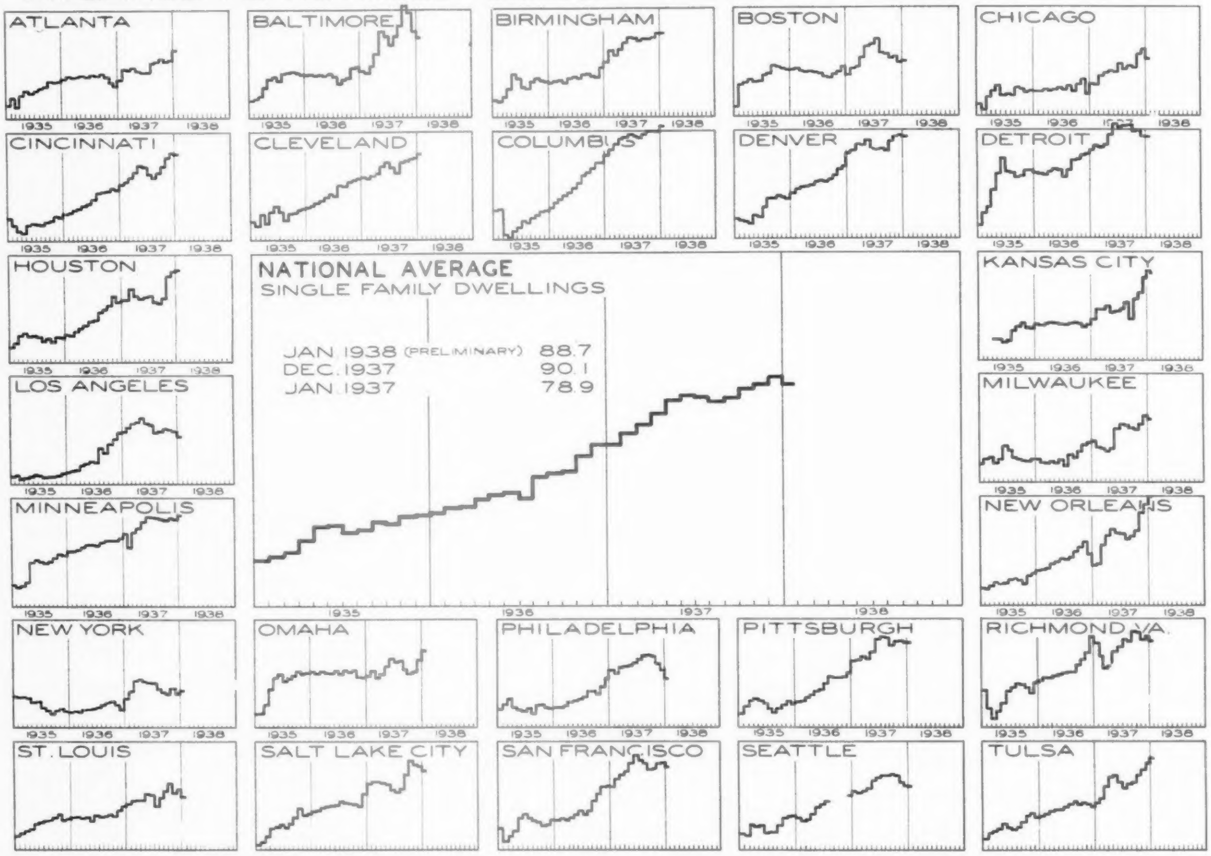
THE chart above shows the booms and depressions in real estate from 1870 to the present, the big black areas above the line representing the real estate booms and the black areas below the line representing the depressions. The level of residential rents is charted,not as a percentage above or below a normal line, but as an index from the bottom of the chart and is read on the right-hand scale, as is the index of foreclosures. The chart to the left is the last six years of the upper chart, enlarged to show monthly fluctuations.

The national average of real estate sales continued to decline at an accelerated rate during the month of December. This is not surprising in view of the very rapid decline in general business as shown on the chart on page 863 in this report. When general business is declining rapidly people do not make capital investments.

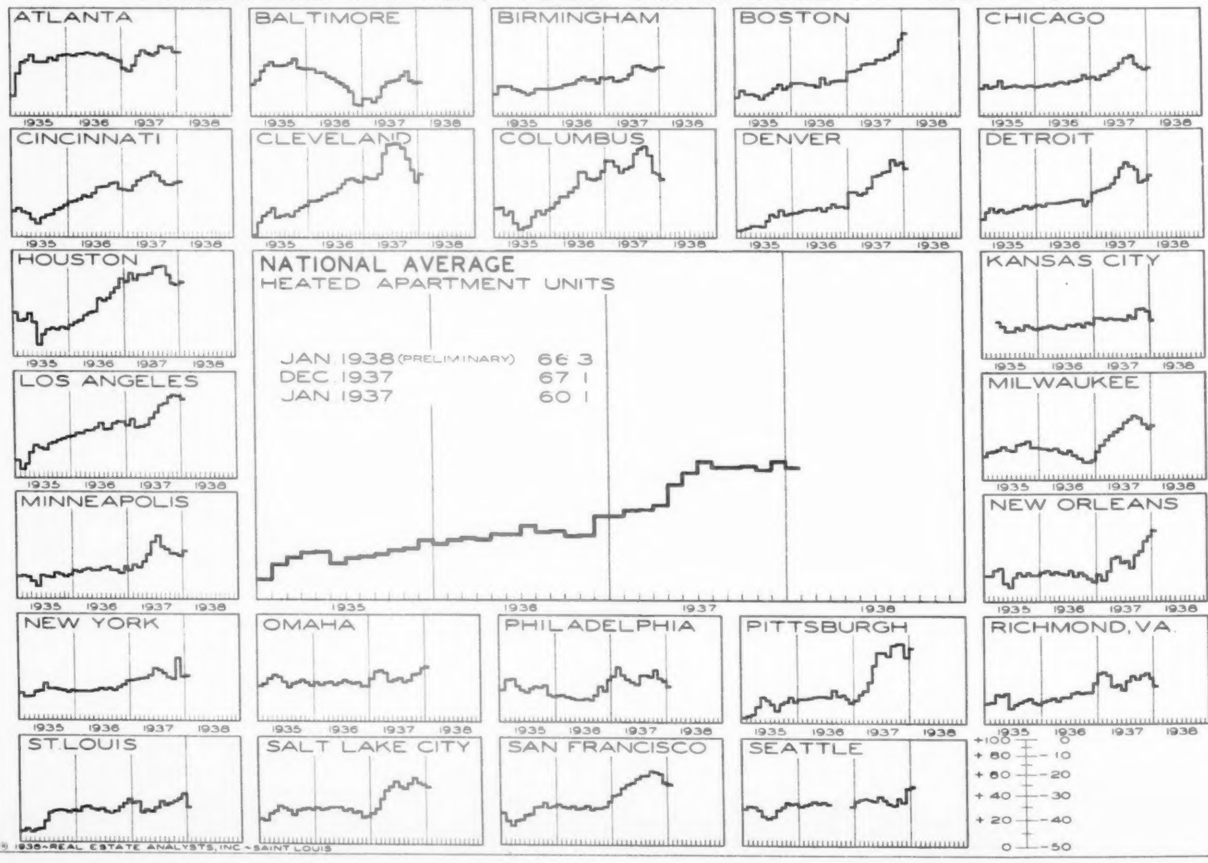
In spite of the business recession foreclosures did not increase,but held at the rate for the preceding month.

The rent index prepared by Real Estate Analysts, Inc.,has had the first serious drop since 1933. It should be kept in mind, however, that our index, being based largely on the asking prices of vacant space, is more sensitive to changes than are the averages of rents actually paid. Apparently many owners of vacant property have become panicky during the last month and have drastically cut the prices on the space they were offering for rent. This does not mean that rents on occupied spaces have dropped by this large a percentage. In fact, we are inclined to believe that rents have merely steadied after some rather rapid rises.

AVERAGE ADVERTISED SINGLE FAMILY DWELLING RENTS



AVERAGE ADVERTISED APARTMENT RENTS



ADVERTISED RENTALS ON DWELLING UNITS

REAL Estate Analysts, Inc., computes the average advertised rent of single family dwelling and heated apartment units each month in the twenty-six metropolitan areas listed below. The figures given are average rents per month per room for all units of each type, large and small, advertised in the classified columns of the leading newspapers of each city. The figures given below, unlike the figures which appeared in earlier issues of The Real Estate Analyst, have been adjusted for seasonal fluctuation, as we have found some regular seasonal fluctuation in our advertised rental prices.

The average rent per month per room of all places advertised will vary considerably from month to month due to the inclusion some months of a larger number of either high or low priced units. The charts on the opposite page show these figures adjusted for seasonal fluctuation, city by city, with large composite charts showing the average fluctuations in principal cities. Advertised rents represent not what properties are actually renting for, but what the owners of the properties believe they will bring. After some adjustment in periods of depression for bargaining between the landlord and the tenant and for other concessions, we are convinced that these rents represent roughly the levels at which properties are being rented currently. The last figures are preliminary, based on the advertisements appearing during the first two weeks of the month.

	1935					1936										
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.
SINGLE FAMILY DWELLINGS																
National Index	**66.6**	**67.5**	**67.4**	**68.3**	**68.6**	**68.9**	**69.6**	**69.8**	**70.9**	**71.4**	**71.7**	**71.0**	**74.1**	**74.5**	**74.9**	**77.1**
Atlanta	$6.66	$6.75	$6.97	$6.91	$6.93	$7.03	$7.16	$7.15	$7.20	$7.23	$7.17	$7.22	$7.21	$7.29	$7.15	$6.89
Baltimore	5.98	5.99	6.03	5.91	5.99	5.92	5.94	5.95	5.91	5.89	5.93	5.85	5.60	5.76	5.81	6.18
Birmingham	4.80	5.01	5.12	5.05	5.03	5.01	5.03	5.06	4.98	5.13	5.15	5.13	5.27	5.28	5.20	5.18
Boston	7.27	7.61	7.58	7.45	7.40	7.40	7.42	7.31	7.29	7.30	7.25	7.23	7.09	7.05	7.20	7.30
Chicago	9.11	9.55	9.45	9.36	9.39	9.38	9.38	9.46	9.44	9.45	9.53	9.41	9.67	9.32	9.80	10.11
Cincinnati	7.81	7.90	7.93	8.23	8.19	8.34	8.38	8.53	8.68	8.83	8.93	9.11	9.50	9.53	9.54	9.83
Cleveland	7.43	7.70	7.73	7.92	8.00	8.07	8.13	8.30	8.40	8.59	8.75	8.69	9.28	9.27	9.48	9.53
Columbus	5.01	5.16	5.26	5.38	5.40	5.53	5.65	5.79	5.95	6.07	6.23	6.42	6.71	6.83	7.07	7.25
Denver	5.90	5.90	5.99	5.93	5.89	6.08	6.21	6.26	6.28	6.36	6.48	6.54	6.46	6.59	6.77	7.05
Detroit	8.35	8.10	8.18	8.02	8.42	8.35	8.32	8.29	8.40	8.55	8.51	8.09	8.49	9.03	9.04	9.31
Houston	6.90	7.06	6.87	7.10	7.09	7.22	7.21	7.35	7.50	7.62	7.81	7.85	8.29	8.40	8.62	9.15
Kansas City	4.88	4.98	5.10	4.96	4.90	5.04	5.02	5.05	5.10	5.09	5.05	5.03	5.05	5.07	5.05	4.94
Los Angeles	8.40	8.43	8.46	8.53	8.64	8.68	8.72	8.74	9.04	9.18	9.28	9.25	10.05	9.85	10.34	10.62
Milwaukee	8.20	8.19	8.13	8.12	8.15	8.15	7.99	7.98	8.03	8.00	8.10	7.73	8.38	8.23	8.56	8.98
Minneapolis	5.92	6.01	6.18	6.30	6.27	6.42	6.42	6.49	6.56	6.67	6.67	6.64	6.78	6.85	6.85	6.85
New Orleans	5.35	5.30	5.20	5.49	5.54	5.64	5.65	5.74	5.90	5.98	6.10	6.05	6.13	6.34	6.55	6.78
New York	11.61	11.43	11.62	11.82	11.59	11.52	11.59	11.52	11.69	11.71	11.77	11.99	12.14	12.38	12.43	12.12
Omaha	6.19	6.31	6.46	6.39	6.41	6.46	6.40	6.47	6.44	6.42	6.50	6.37	6.50	6.47	6.52	6.27
Philadelphia	5.48	5.77	5.78	5.68	5.66	5.70	5.70	5.75	5.90	5.95	5.97	6.11	6.30	6.30	6.19	6.49
Pittsburgh	6.59	6.77	6.96	7.10	6.98	7.10	7.12	7.26	7.39	7.59	7.67	7.95	8.33	8.28	8.28	8.33
Richmond	6.63	6.59	6.44	6.24	6.63	6.71	6.86	6.85	6.90	6.96	7.07	7.11	7.10	7.39	7.69	7.98
Saint Louis	6.65	6.78	6.91	6.68	6.73	6.79	6.82	6.76	6.82	6.65	6.86	6.81	6.84	6.93	6.86	7.15
Salt Lake City	5.34	5.57	5.58	5.65	5.69	5.78	5.79	5.90	5.94	5.97	6.00	6.15	6.11	6.08	6.04	5.94
San Francisco	7.22	7.17	7.00	7.05	7.28	7.26	7.31	7.29	7.36	7.54	7.70	7.41	7.70	8.18	8.52	8.97
Seattle	5.07	5.31	5.56	5.62	5.65	5.55	5.45	5.51	5.70	5.96	6.09	6.19	x	x	x	x
Tulsa	6.38	6.58	6.86	6.95	6.79	6.84	6.95	7.06	7.14	7.12	7.26	7.38	7.52	7.34	7.45	7.41
HEATED APARTMENT UNITS																
National Index	**55.5**	**55.8**	**56.1**	**56.3**	**57.3**	**56.9**	**57.3**	**57.6**	**57.5**	**58.0**	**58.0**	**59.1**	**58.2**	**58.4**	**57.9**	**58.0**
Atlanta	9.88	10.11	9.99	10.23	10.26	10.28	10.20	10.32	10.31	10.45	10.34	10.20	10.35	10.21	10.13	10.04
Baltimore	11.75	11.95	12.20	11.59	11.55	11.49	11.48	11.23	11.21	10.98	10.85	10.64	10.50	10.26	9.95	9.26
Birmingham	8.01	8.08	8.30	8.30	8.30	8.29	8.36	8.40	8.53	8.55	8.60	8.80	8.97	8.77	8.80	8.59
Boston	11.59	11.95	12.19	11.90	12.08	12.30	12.30	12.30	12.23	12.20	12.05	12.70	12.26	12.51	12.55	12.59
Chicago	11.51	11.40	11.38	11.47	11.43	11.40	11.46	11.58	11.51	11.61	11.71	11.61	11.80	11.82	11.90	12.20
Cincinnati	10.41	10.47	10.70	10.86	11.06	11.26	11.36	11.47	11.69	11.63	11.91	12.33	12.40	12.44	12.67	12.70
Cleveland	9.34	9.25	9.51	9.76	9.83	10.10	10.09	10.15	10.40	10.60	10.67	11.00	11.27	11.57	11.68	11.53
Columbus	8.09	8.58	8.89	8.72	8.94	9.07	9.38	9.74	9.76	10.00	10.21	11.30	11.30	10.79	10.74	10.82
Denver	10.43	10.27	10.76	10.43	10.48	10.53	10.60	10.71	10.72	10.76	10.86	10.69	10.90	11.15	10.98	11.99
Detroit	10.17	10.24	10.43	10.25	10.35	10.49	10.40	10.59	10.61	10.59	10.65	10.69	10.81	10.88	10.90	10.46
Houston	7.77	7.86	7.77	7.91	7.86	8.00	8.12	8.26	8.53	8.70	8.78	9.47	9.31	9.50	9.87	10.12
Kansas City	6.70	6.59	6.81	6.73	6.64	6.68	6.73	6.78	6.73	6.68	6.68	6.79	6.74	6.86	6.71	6.90
Los Angeles	11.22	11.27	11.47	11.62	11.69	11.75	12.09	12.07	12.21	12.21	12.44	12.79	12.33	12.36	12.79	12.96
Milwaukee	10.03	10.09	10.20	9.89	9.90	9.88	9.85	9.73	9.85	9.64	9.51	9.70	9.40	9.34	9.06	9.05
Minneapolis	8.65	8.86	8.81	8.67	8.73	9.00	8.94	9.05	9.11	9.04	9.03	9.14	9.19	9.04	9.04	8.86
New Orleans	8.40	8.23	8.38	8.28	8.28	8.41	8.49	8.35	8.44	8.37	8.34	8.54	8.24	8.42	8.28	8.10
New York	17.85	17.80	17.69	17.60	17.67	17.58	17.56	17.57	17.57	17.67	17.80	17.74	17.88	17.68	18.05	18.22
Omaha	10.13	10.22	10.40	10.23	10.07	10.23	10.11	10.21	10.24	10.10	10.21	10.38	10.32	10.27	10.30	10.00
Philadelphia	13.82	13.77	13.92	13.11	13.03	13.07	13.10	12.95	12.85	12.82	12.82	12.85	12.76	13.11	13.87	13.48
Pittsburgh	9.20	9.64	9.76	10.00	9.77	9.91	9.92	9.96	10.02	10.03	10.02	9.99	10.45	10.11	10.16	9.95
Richmond	9.76	9.93	9.97	9.77	9.68	9.80	9.89	10.01	9.85	10.01	10.03	10.29	10.41	10.31	10.41	10.40
Saint Louis	9.81	9.86	9.81	9.72	9.84	9.79	10.04	10.07	9.96	9.89	9.95	9.76	9.74	9.79	10.04	10.23
Salt Lake City	9.06	9.31	9.38	9.40	9.36	9.45	9.33	9.40	9.45	9.45	9.45	9.30	9.37	9.19	9.21	8.90
San Francisco	11.40	11.48	11.69	11.41	11.49	11.59	11.44	11.39	11.49	11.30	11.38	11.49	11.22	11.30	11.30	11.42
Seattle	10.06	10.21	10.58	10.48	10.52	10.23	10.37	10.53	10.60	10.50	10.56	10.46	x	x	x	x

	1936	1937												'38
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	*Jan.
SINGLE FAMILY DWELLINGS														
National Index	**78.9**	**78.9**	**80.6**	**82.0**	**83.9**	**86.1**	**87.0**	**86.8**	**86.0**	**86.5**	**88.0**	**88.8**	**90.1**	**88.7**
Atlanta	$6.75	$6.99	$7.50	$7.47	$7.56	$7.37	$7.33	$7.33	$7.79	$7.85	$7.96	$7.84	$7.92	$8.33
Baltimore	6.20	6.05	5.96	6.22	6.74	7.84	7.50	7.11	7.58	8.08	9.13	8.76	7.76	7.39
Birmingham	5.50	5.70	6.13	5.93	6.19	6.41	6.60	6.59	6.45	6.52	6.52	6.59	6.65	6.65
Boston	7.55	7.19	7.48	7.55	7.91	8.58	8.64	8.98	8.20	8.17	7.95	7.98	7.73	7.78
Chicago	9.25	9.85	9.83	10.31	10.55	10.62	10.56	11.11	10.65	11.00	10.87	11.85	12.17	11.38
Cincinnati	9.70	9.98	10.12	10.49	10.79	11.29	11.18	10.60	10.48	10.68	11.22	11.82	12.15	12.00
Cleveland	9.60	9.65	9.62	9.82	9.95	10.40	10.62	10.25	9.99	10.62	10.64	10.87	10.92	11.14
Columbus	7.25	7.64	7.86	8.22	8.44	8.54	8.65	8.60	8.54	8.74	9.00	9.00	9.00	9.20
Denver	7.14	7.75	7.85	8.23	8.20	8.40	8.02	7.93	7.96	7.82	8.32	8.64	8.67	8.50
Detroit	9.35	9.59	9.90	9.80	9.91	10.57	11.34	11.20	11.23	11.28	10.85	10.95	10.46	10.40
Houston	8.84	8.92	8.92	9.55	9.20	9.00	9.10	9.15	8.83	8.78	9.03	10.32	10.60	10.69
Kansas City	5.03	5.23	5.55	5.55	5.65	5.46	5.49	5.57	5.82	5.23	5.93	6.15	6.74	7.05
Los Angeles	11.12	11.13	11.46	11.73	11.81	12.16	11.72	11.66	11.10	11.15	11.40	11.32	11.20	10.83
Milwaukee	9.08	9.14	8.81	8.72	8.54	8.72	9.90	10.16	10.14	9.94	9.83	10.11	10.60	10.40
Minneapolis	6.99	7.18	6.53	7.21	7.41	7.74	7.98	7.97	7.94	7.85	7.80	7.93	7.84	8.02
New Orleans	6.24	5.81	5.90	6.63	7.07	7.32	7.15	7.13	6.87	7.03	7.26	8.13	8.52	8.84
New York	11.77	12.60	13.29	14.21	14.29	14.19	14.08	14.02	13.45	13.20	13.00	13.50	13.02	13.26
Omaha	6.22	6.30	6.53	6.21	6.35	6.69	7.03	6.90	6.91	6.57	6.42	6.47	6.98	7.31
Philadelphia	6.85	7.22	7.06	7.33	7.36	7.40	7.54	7.70	7.86	7.90	7.85	7.49	7.23	6.80
Pittsburgh	8.51	9.17	9.21	9.40	9.26	9.68	10.42	10.65	10.52	10.04	10.21	10.25	10.18	10.19
Richmond	8.88	6.52	7.82	7.26	7.34	8.06	8.30	8.70	8.59	9.17	9.15	8.70	8.90	8.62
Saint Louis	7.30	7.44	7.59	7.60	7.60	7.89	7.88	7.34	7.74	8.04	8.43	7.93	8.12	7.72
Salt Lake City	6.45	6.86	7.05	7.04	6.99	6.82	6.61	6.49	6.67	7.27	7.92	7.74	7.68	7.48
San Francisco	9.01	8.99	9.37	9.64	9.83	10.30	10.90	10.58	10.30	9.95	9.97	10.35	10.39	10.11
Seattle	6.40	6.58	6.49	6.59	6.69	7.04	7.14	7.26	7.26	7.31	7.24	6.96	6.79	6.76
Tulsa	7.27	7.42	7.65	8.23	8.74	8.84	8.45	8.17	8.39	8.48	8.86	9.15	9.53	9.82
HEATED APARTMENT UNITS														
National Index	**60.1**	**60.1**	**60.9**	**61.0**	**61.5**	**64.0**	**65.4**	**67.1**	**66.5**	**66.5**	**66.6**	**66.1**	**67.1**	**66.5**
Atlanta	9.96	9.45	9.36	9.70	10.20	10.62	10.36	10.32	10.45	10.88	10.80	10.84	10.45	10.45
Baltimore	9.20	9.55	9.54	9.32	9.64	10.28	10.60	10.66	10.70	11.03	11.27	10.65	10.50	10.54
Birmingham	8.92	8.90	8.95	8.69	8.74	8.83	9.10	9.54	9.58	9.50	9.40	9.37	9.49	9.52
Boston	12.53	13.20	13.27	13.50	13.94	13.68	13.67	14.02	14.00	14.11	14.43	15.09	16.29	16.81
Chicago	12.03	12.10	11.97	12.23	12.30	12.59	12.72	13.20	13.60	13.90	13.15	12.92	12.70	12.70
Cincinnati	12.20	12.20	12.12	12.50	12.92	13.12	13.22	13.67	13.34	12.87	12.61	12.62	12.71	12.82
Cleveland	11.36	11.81	11.71	11.70	12.08	13.68	14.56	14.62	14.60	14.18	13.22	12.26	11.40	12.00
Columbus	11.38	12.13	12.13	11.72	11.28	11.58	11.72	12.69	13.11	13.25	12.59	11.28	11.21	10.92
Denver	11.92	12.09	12.08	11.83	12.00	12.38	13.28	13.40	13.71	13.79	14.70	14.32	14.49	13.95
Detroit	10.74	11.32	11.45	11.58	11.69	12.00	12.50	13.18	13.69	13.40	13.11	12.15	12.26	12.68
Houston	10.69	10.50	11.03	10.60	11.08	11.08	11.12	11.51	11.55	11.60	11.02	10.38	10.31	10.48
Kansas City	6.85	7.11	7.12	7.05	7.11	7.09	7.09	7.04	7.23	7.11	7.52	7.57	7.41	6.99
Los Angeles	12.92	12.66	13.17	12.51	12.58	12.69	13.26	13.80	14.46	14.57	15.25	15.41	15.32	14.90
Milwaukee	9.13	9.65	10.00	10.30	10.62	10.87	11.11	11.51	11.76	12.07	11.88	11.41	11.11	11.21
Minneapolis	9.22	9.04	9.35	9.17	9.51	9.96	10.75	11.17	10.45	10.22	10.00	10.00	9.90	10.12
New Orleans	7.95	8.31	7.90	8.48	9.19	9.25	8.95	9.07	8.65	9.38	9.60	10.18	10.55	10.90
New York	18.72	18.84	18.90	19.00	19.08	19.48	20.22	20.10	19.62	19.15	19.00	21.80	19.21	19.35
Omaha	10.02	10.51	11.01	11.09	10.90	10.32	10.42	10.50	10.37	10.42	10.75	10.83	11.20	11.33
Philadelphia	14.44	14.75	15.64	14.98	14.50	14.22	14.09	14.92	14.91	14.80	15.41	14.58	14.30	13.84
Pittsburgh	9.72	9.90	10.19	10.48	11.09	12.22	13.28	13.30	13.05	13.89	14.04	14.01	12.91	13.64
Richmond	11.00	11.62	11.72	11.53	10.72	10.82	10.53	11.16	11.42	11.22	11.52	11.60	11.27	10.73
Saint Louis	10.57	10.29	10.38	9.71	9.90	9.79	10.04	10.40	10.19	10.35	10.44	10.62	11.02	10.00
Salt Lake City	8.94	9.12	9.40	9.99	10.54	10.80	11.07	10.80	10.68	11.00	11.38	11.10	11.00	10.73
San Francisco	11.81	12.28	12.43	12.90	13.19	13.39	13.70	14.00	13.98	14.40	14.32	14.12	13.42	13.27
Seattle	10.32	10.65	10.79	10.82	10.75	10.67	10.98	10.73	10.52	10.41	10.90	10.60	11.53	11.62

*Preliminary xNewspaper strike

FORECASTS FOR 1938

IF one is to forecast the real estate situation for 1938, it is necessary, first, to forecast the developments in general business as undoubtedly the rise in real estate and construction will depend to a large extent upon the rapidity of industrial recovery. All of the exclusive real estate factors are satisfactory; and everything else being equal, would tend toward higher levels. All other things, however, are not equal.

We think that general business in the United States has declined too rapidly in the past three to four months to make suddenly an about face and start upwards. The severity of the decline has built up a momentum, which, it seems to us, will take general business lower before it starts to recover. We think that the lowest point will be reached either sometime this spring or in the early summer. We are rather confident, however, that we are not slipping back into the beginning of another major depression. Our reasons for this belief are as follows:

1. We are not over built, but on the contrary, we probably have the largest potential market for new building which the United States has experienced at any time during the past fifty years. This large potential market is not due to our rapid growth, but is due largely to the fact that the cessation of building has been more severe and has lasted longer during this depression than it has in any other period in the history of the United States. Every other major collapse in the general business structure followed a period in which new building had been quite active for a period of years. The big depressions of 1820, of 1837, of 1857, of 1873, of 1893, of 1907 and 1908, and of 1929 all followed tremendous building and speculative booms. Depressions which have occurred at other times in our business cycle have been short lived and relatively unimportant.

2. All great depressions have been preceded by a period of strained credit and high interest rates. Preceding the last collapse in 1929, call money rates were very high. In March call money reached a high of 20%. It was above 8% for almost the entire year of 1929, while in contrast, in 1937 the rate was 1¼%. Brokers' loans in 1928 and 1929 averaged about eight and a half billion dollars. Throughout 1937 they have hovered close to the billion mark.

Ordinarily the credit strain which develops before a major depression prevents the purchase of durable goods and the construction of new plants by industrial concerns. The undistributed profits tax, however, has created the results which in former depressions were created by credit strains and high interest rates. Since all large corporations have had to distribute their earnings during the past two years or pay heavy penalties, they have not been able to take care of plant expansions or the purchase of new equipment at the rate at which these purchases were made in recoveries from preceding depressions. Accordingly the durable goods industries, which started to recover in 1934, have slipped back; and it is on these industries that recovery must ultimately rest.

3. Banks at present in the United States are in a very satisfactory position. The weak banks have been weeded out through the last depression, and the remaining banks are able to stand a considerable strain.

4. There has been no excessive speculation in the period pre-

ceding this collapse. The number of shares of stock traded on a per capita basis has been much less than half of the rate preceding the collapse of 1929. The one great complaint of stock brokers during the period we have just come through has been that "markets were thin".

5. While current unemployment and reduced demand have created the impression of heavy inventories of finished materials, we are inclined to believe that, granting a normal demand, inventories at the present time are certainly not excessive and are dropping at a satisfactory rate.

6. The rapid drops we have experienced in basic raw material prices have carried many of these prices to a point where further drops are improbable. This seems to us one of the first indications of an approaching stability. It seems to us that after a sideways movement will come a slight further retrogression. General business, unless recovery throughout the world is halted, will resume its upward movement sometime in the late summer or early fall.

In view of the foregoing forecasts on general business it is our impression that real estate will be affected in the following manner:

REAL ESTATE SALES Sales will not increase with the usual
(continued on page 867)

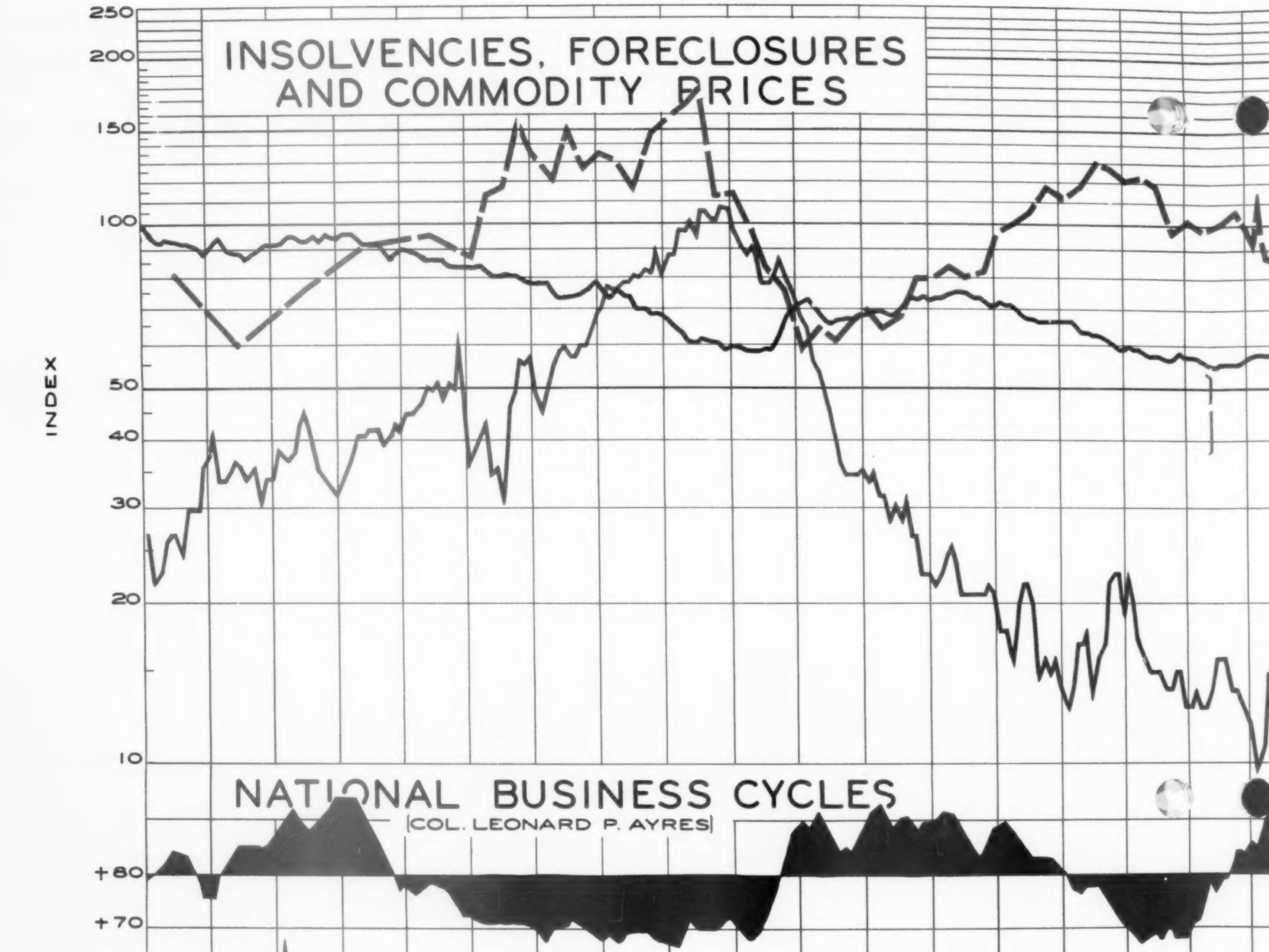
INSOLVENCY AND FORECLOSURES

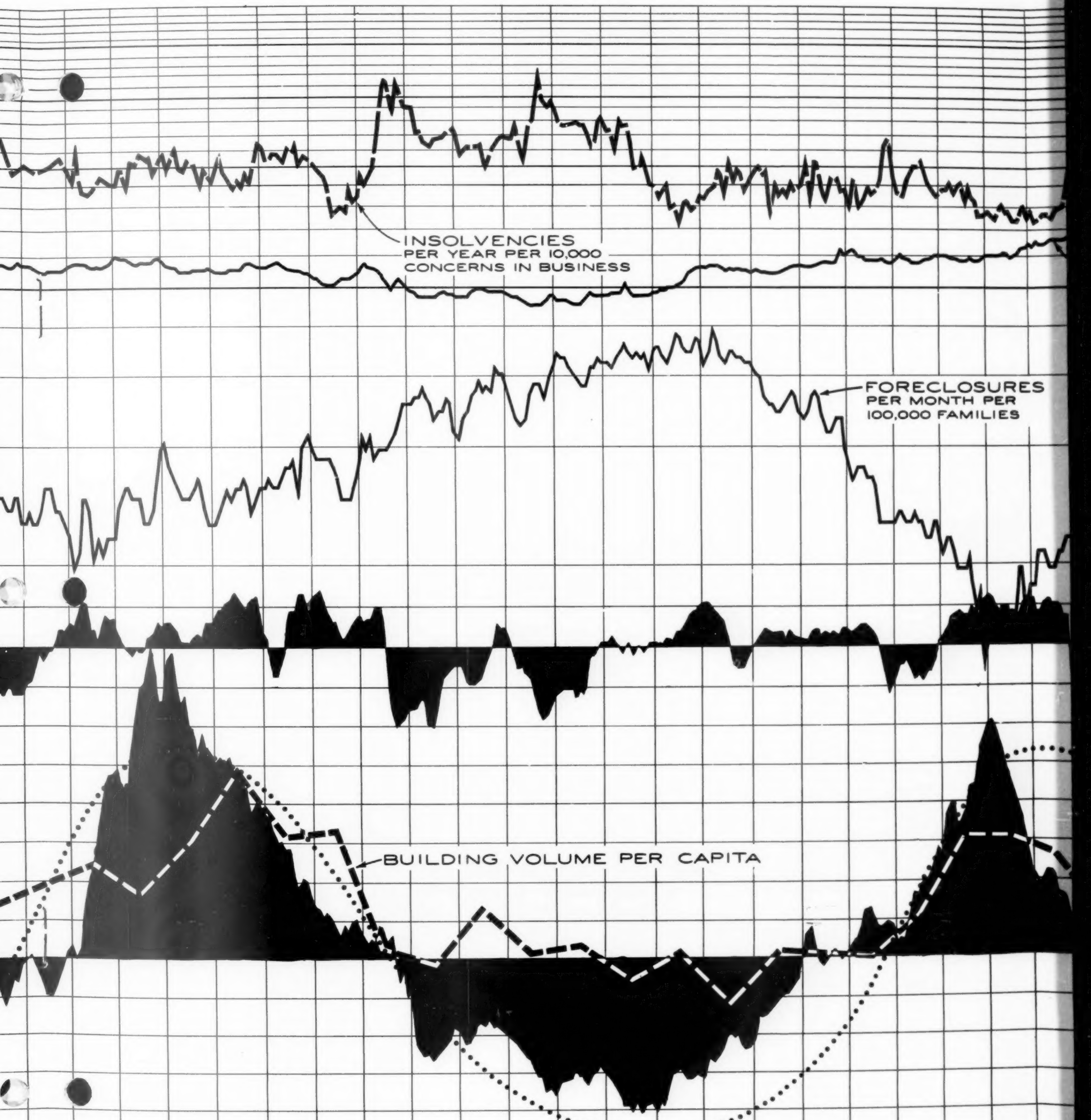
THE long chart on the following pages shows a comparison of real estate activity, general business, new building, the foreclosure rate, the rate of business insolvency,and the fluctuations in wholesale commodity prices from 1870 to the present. The insolvency figures were secured from Dun and Bradstreet; the wholesale price line is the Bureau of Labor Statistics line in the latter years and the index of Warren and Pearson in the earlier period; the business cycles are those of Colonel Ayres; the real estate figures were compiled by Real Estate Analysts, Inc.

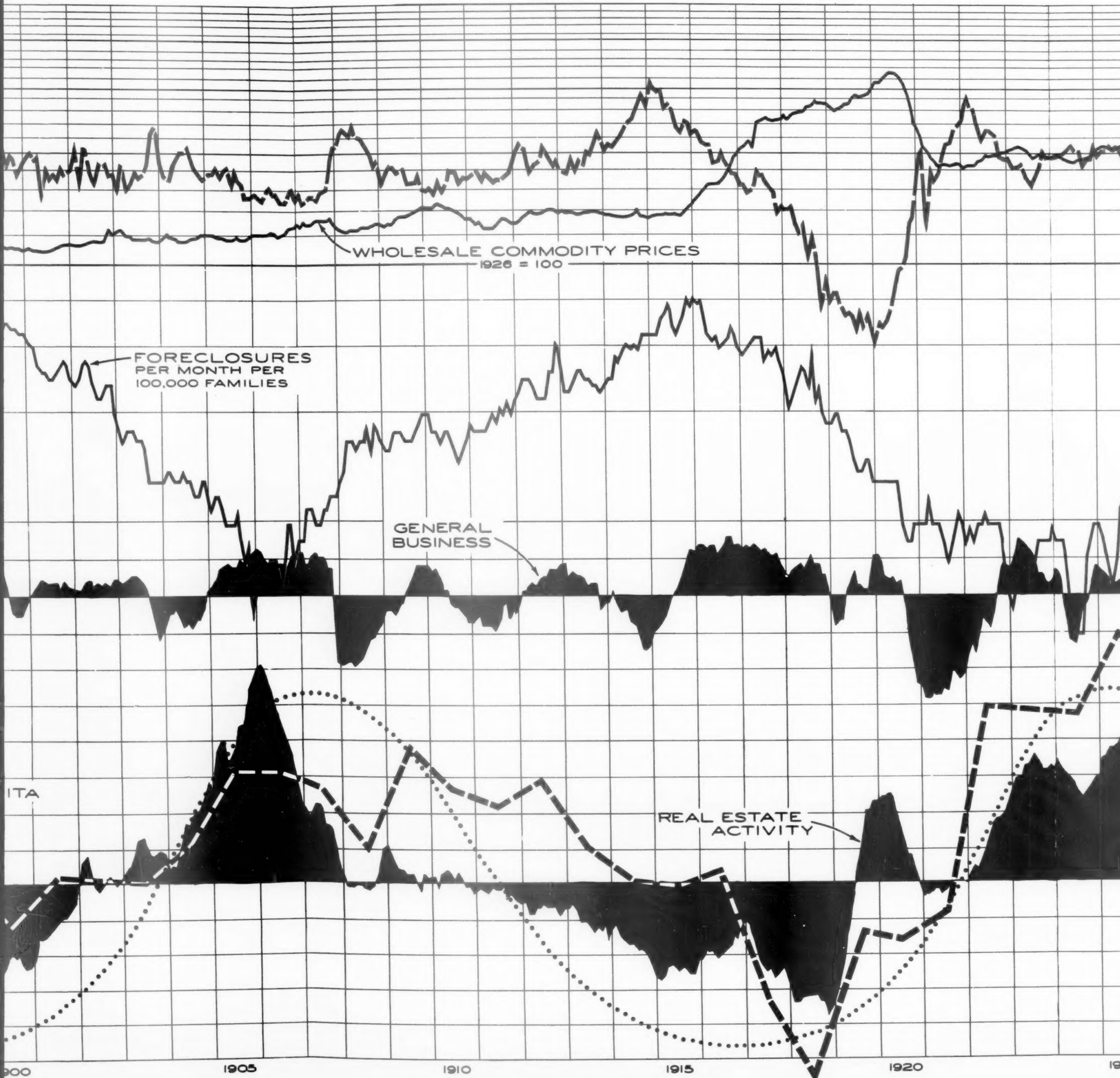
There seem to be a number of significant relationships in this study. Clearly,a falling price level brings about a rise in the insolvency rate. If this fall in the price level is drastic and long continued, foreclosures rise. A short drop does not affect long-term indebtedness as it takes some time for long-term indebtedness to become accustomed to a new price level, either higher or lower.

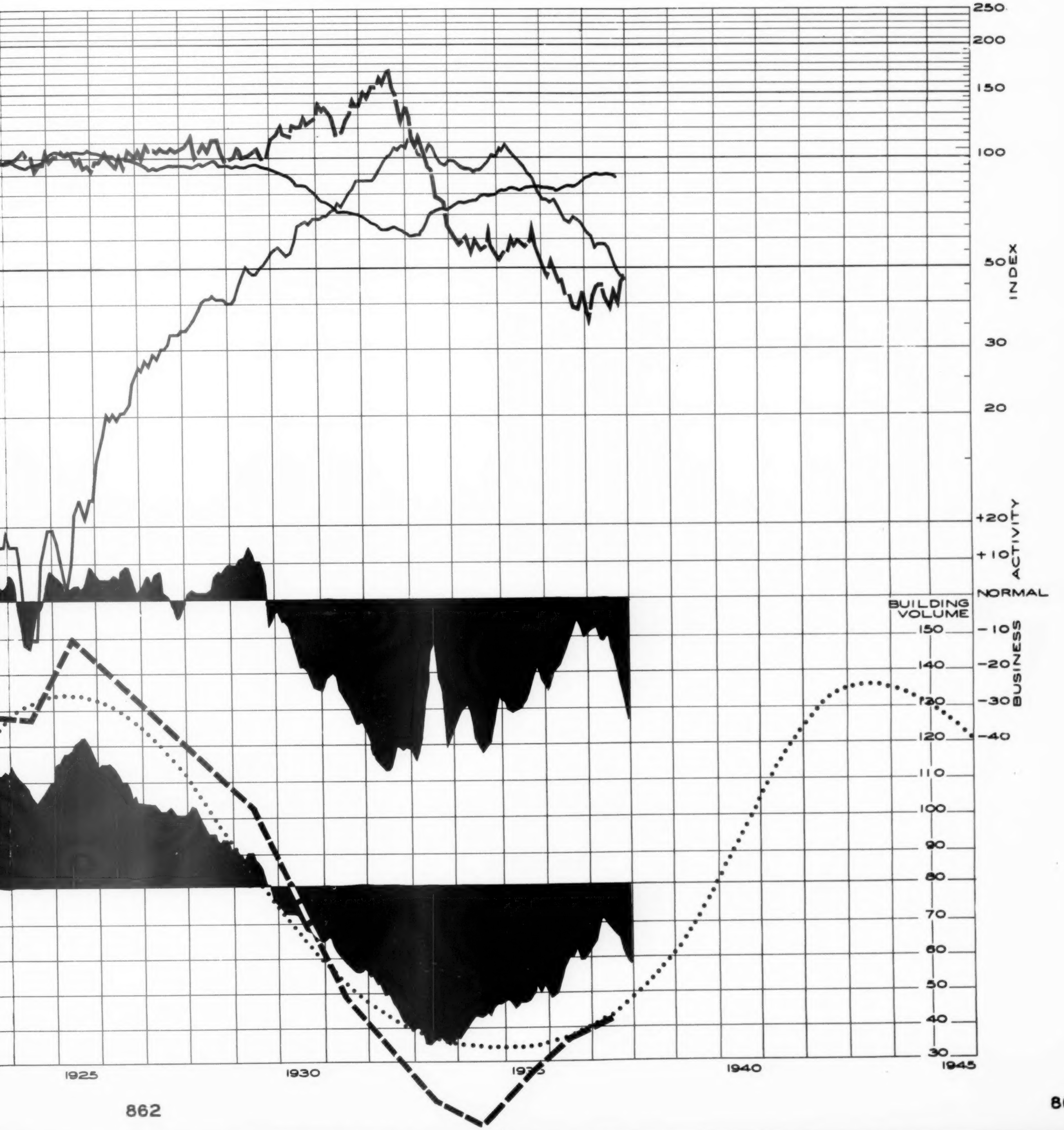
The most significant thing to us in this study is not the correspondence in a few places between insolvencies and foreclosures, and between general business conditions and real estate booms and depressions; but their differences. It is quite remarkable that on numerous occasions insolvencies and foreclosures have gone in opposite directions, as have general business and real estate. Only the major depressions in general business have coincided with the major real estate depressions.

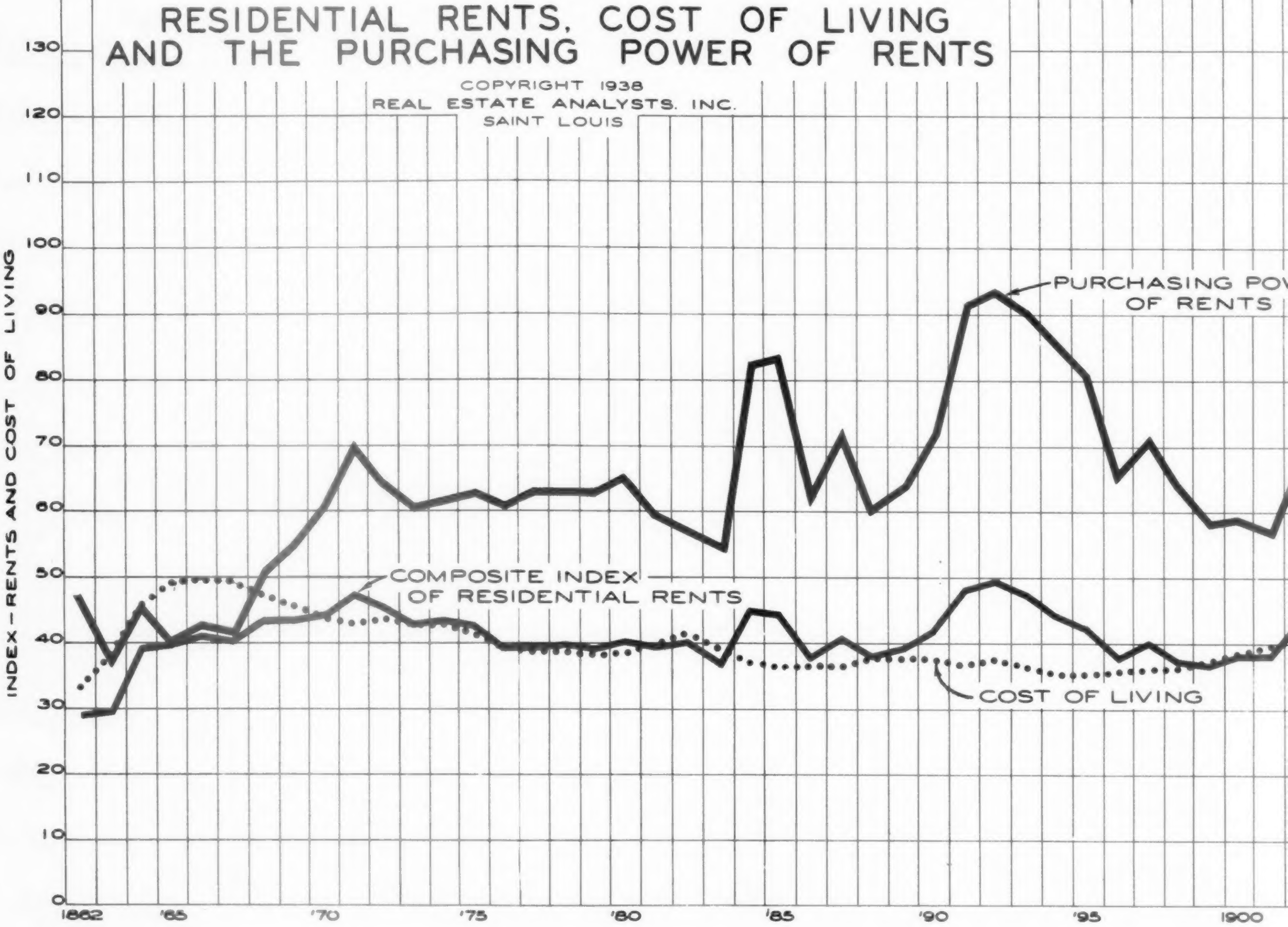
Undoubtedly the insolvency rate will increase, but it will be noticed from the chart that this does not imply that foreclosures will have a similar increase. It seems to us that the situation at present is somewhat similar to the situation in the early eighties, when insolvency increased materially while foreclosures continued downward. Bad business undoubtedly delayed the real estate boom which arrived a few years later.


INSOLVENCIES, FORECLOSURES AND COMMODITY PRICES
250
200
150
100
50
40
30
20
10
INDEX
NATIONAL BUSINESS CYCLES
(COL. LEONARD P. AYRES)
NATIONAL REAL ESTATE CYCLES
COPYRIGHT 1938
REAL ESTATE ANALYSTS. INC.
SAINT LOUIS
+80
+70
+60
+50
+40
+30
+20
+10
NORMAL
−10
−20
−30
−40
−50
REAL ESTATE ACTIVITY
1870
1875
1880
1885


INSOLVENCIES
PER YEAR PER 10,000
CONCERNS IN BUSINESS
FORECLOSURES
PER MONTH PER
100,000 FAMILIES
BUILDING VOLUME PER CAPITA
1890
1895
1900
1905


WHOLESALE COMMODITY PRICES
1926 = 100
FORECLOSURES
PER MONTH PER
100,000 FAMILIES
GENERAL
BUSINESS
ITA
REAL ESTATE
ACTIVITY
900
1905
1910
1915
1920
19


250
200
150
100
50
30
20
INDEX
+20
+10
NORMAL
-10
-20
-30
-40
ACTIVITY
BUSINESS
BUILDING VOLUME
150
140
130
120
110
100
90
80
70
60
50
40
30
1925
1930
1935
1940
1945

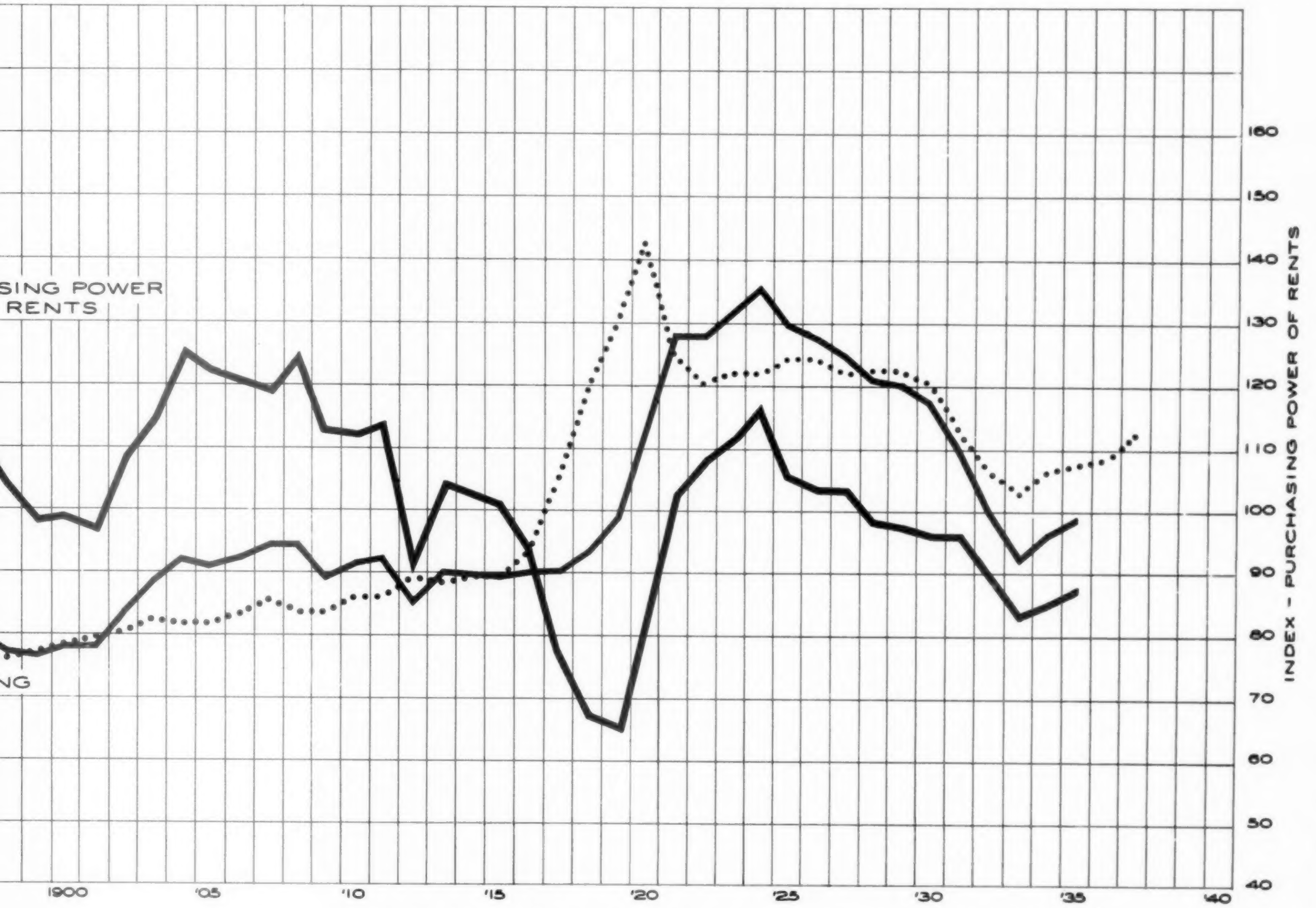


RENTS AND THE COST OF LIVING

THE chart above shows the relationship of residential rents to the cost of living from 1862 through 1935. The rent line on this chart is a composite index of residential rents compiled by the Bureau of Labor Statistics, the Bureau of the Census, and the National Industrial Conference Board combined with advertised rents compiled by Real Estate Analysts, Inc. Deductions have been made from the original figures for taxes and other fixed expenses; however, the adjusted line does not represent net income as it was impossible to secure reliable figures on vacancies and such expenses as maintenance and repairs. The cost of living figures we have used were compiled by the Federal Reserve Bank of New York.

An attempt is made in this study to indicate the changing purchasing power of rents for other commodities and services. It is evident that if rents fluctuated in exactly the same manner as the remainder of the living costs of the average family, the resulting line would be a straight line; therefore, movements above or below this line indicate a high or low ratio of rents to other living costs.

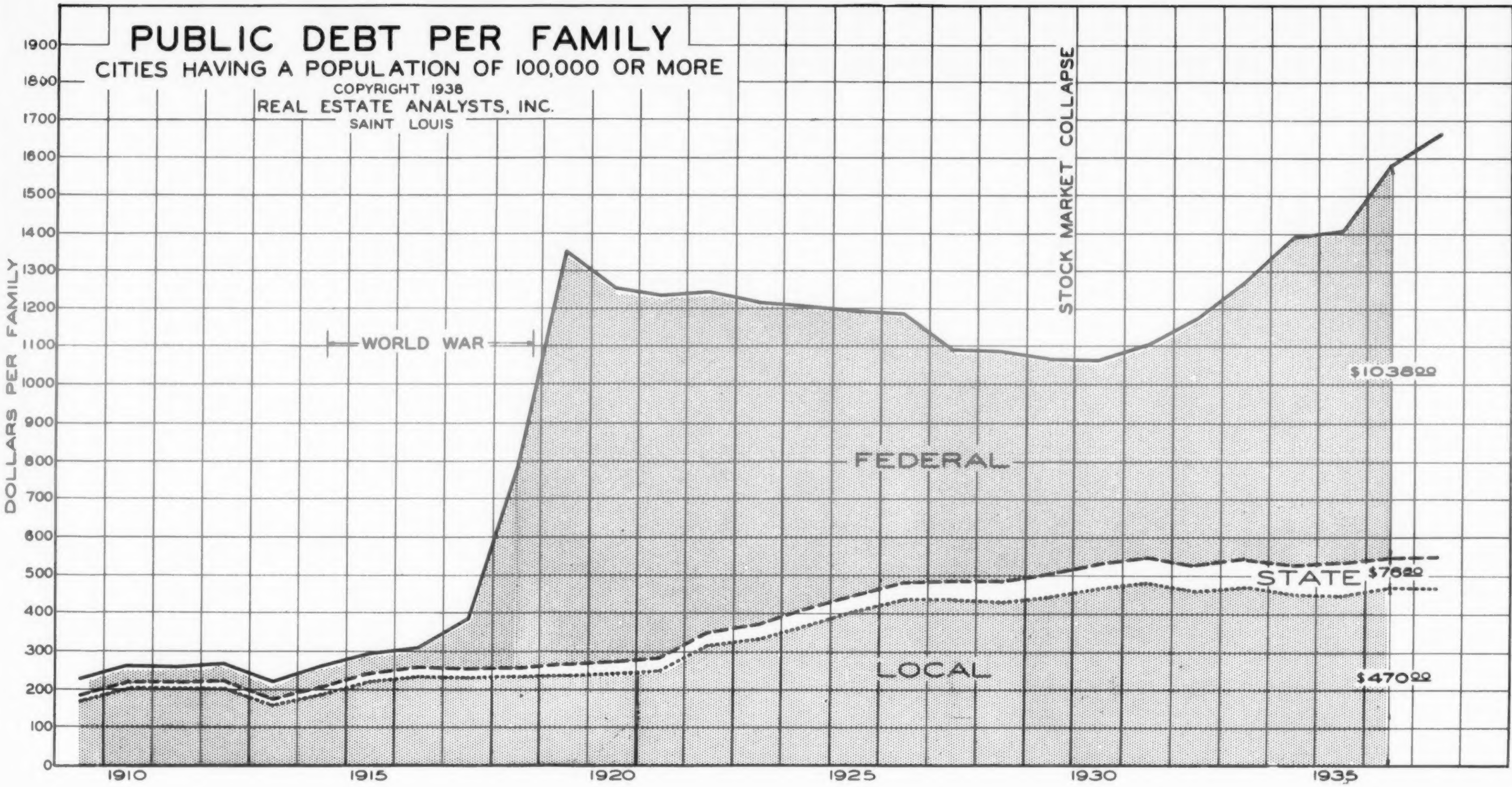
In the period immediately following the end of the war in 1918



and 1919, residential rents in their ability to purchase other commodities reached the lowest point experienced in the 73-year period from 1862 to 1935. This extremely low purchasing power in 1918 and 1919 is startling when compared with the much higher value experienced in 1933. It indicates that the owner who depended solely on rents for his income in 1918 and 1919 was in greater distress than at the bottom of the recent depression.

The periods when rents showed an extremely high purchasing power occurred in the middle eighties, the early nineties, and from 1904 to 1908. In these three periods rents had a higher purchasing power than at the peak of the boom in 1924. In fact, during the entire period from 1884 to 1911 rents were in a practically continuous favorable position to other living costs from the standpoint of the owner of rental properties. As expected, the major swings in this purchasing power line follow in a general way the major cyclic swings of the real estate activity chart.

This chart illustrates how rents become seriously out of balance with other living costs when changes occur in the general price level at a time when vacancies are high. Until vacancy is reduced, rent levels do not respond to changes in the value of money, and during this intervening period the purchasing power of rents is low.



In the Real Estate Tax Bulletin published in December, 1937, we showed the average local debt per family in each city of more than 100,000 population from 1909 to 1936. On the chart above we show the average local debt for all these cities added to the state and national debt. It will be noticed that this has grown from $227.70 per family in 1909 to almost $1700 in 1937. In this 1937 figure the local debt has been estimated to be equivalent to the local debt for last year. It will also be noticed that prior to 1917 the national debt was almost negligible. The huge debt which accumulated during the World War was reduced during the boom period of the twenties, but the Federal debt started increasing rapidly as government expenditure increased and revenue decreased during the depression.

(continued from page 859)
seasonal movement this spring. On a chart corrected for seasonal, real estate sales will drop until sometime this summer. We think that there is a probability that on a seasonally corrected basis real estate sales will increase this fall and will then start the pronounced upward movement which has characterized them during the past two years. However, sometime before the real boom develops,we anticipate a second short-lived set-back.

FORECLOSURES We believe that foreclosures may halt for a short time in the very rapid downward trend which they have experienced during the past three years. We are inclined to believe, however, that if two or three years from now the downward trend of foreclosures is charted, a consistent trend similar to the one we have experienced will be seen in the figures. An upward movement for a few month's time would not change this basic trend.

RESIDENTIAL RENTS We believe that rent levels on residential properties in many cities will halt in their upward movement during the spring and summer, and in a few cities some slight recession may take place. Vacant quarters will be advertised at rates under the rates which have been current up to several months ago. We believe, however, that by late summer or early fall the rental situation will start to stabilize again; and from then on rental increases can be expected, quite small at first, but gaining momentum as industrial recovery takes place.

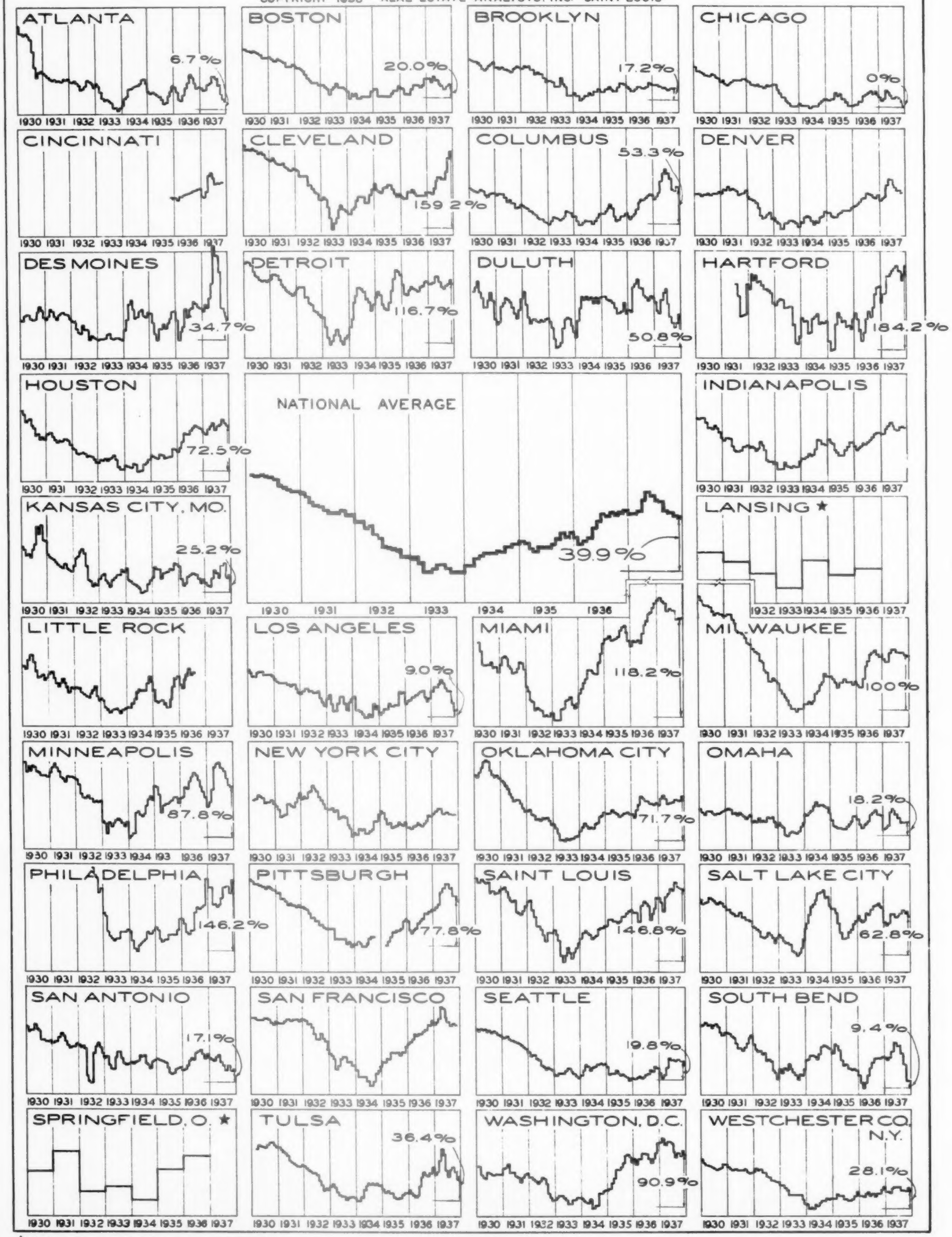
COMMERCIAL RENTS Store space will probably be rented at figures slightly under the figures which have been current during the past six months as the lack of confidence in the business situation has re-adjusted ideas of values. Office building rents in most cases will not be affected as we anticipate the recession to be too short to affect anything as slow moving as office building rent levels.

NEW BUILDING We believe that residential building will continue on a very low level during the first five or six months of the year, regardless of Congressional action on the President's ninety per cent plan. The latter part of the year will be relatively better, but we do not anticipate enough volume during the fall and winter months to bring the total for 1938 to the 1937 level. Our estimate would be that residential building will run from ten to twenty per cent below the 1937 level. Industrial building will be much below 1937 as industrial building depends to a large extent on industrial profits. The recession in demand in itself will prevent a large profit this year although the modification of the undistributed profits tax is favorable to new industrial building. Outside of New York City practically no office building will be done.

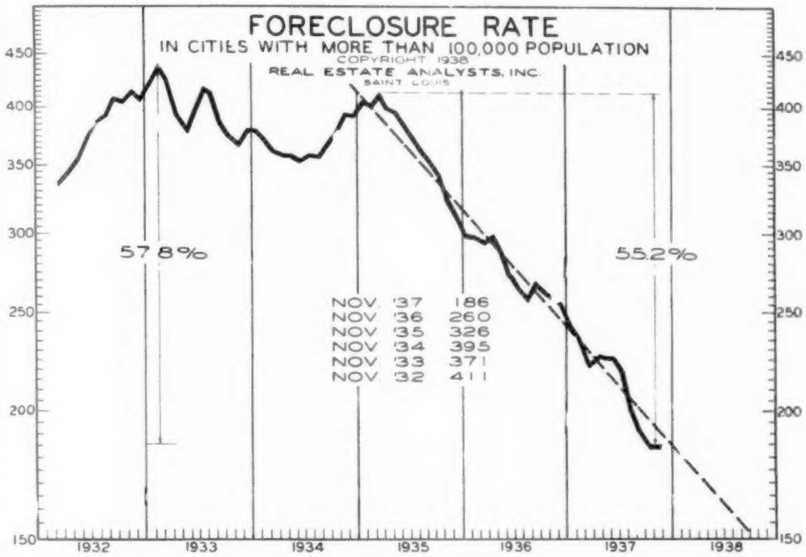
BUILDING COSTS We have constantly maintained that it would be impossible to get union labor to agree to any type of plan which would reduce hourly wage rates. This was tried in 1933 and met the same resistance then which it is meeting now. Building material costs will decline slightly further; but as soon as any volume of building develops, they will stabilize and start again on an upward trend.

If our forecasts regarding the outlook for general business prove too optimistic, then the forecasts we have given on real estate will also be too optimistic, as at the present time real estate is largely dependent on the general business situation.

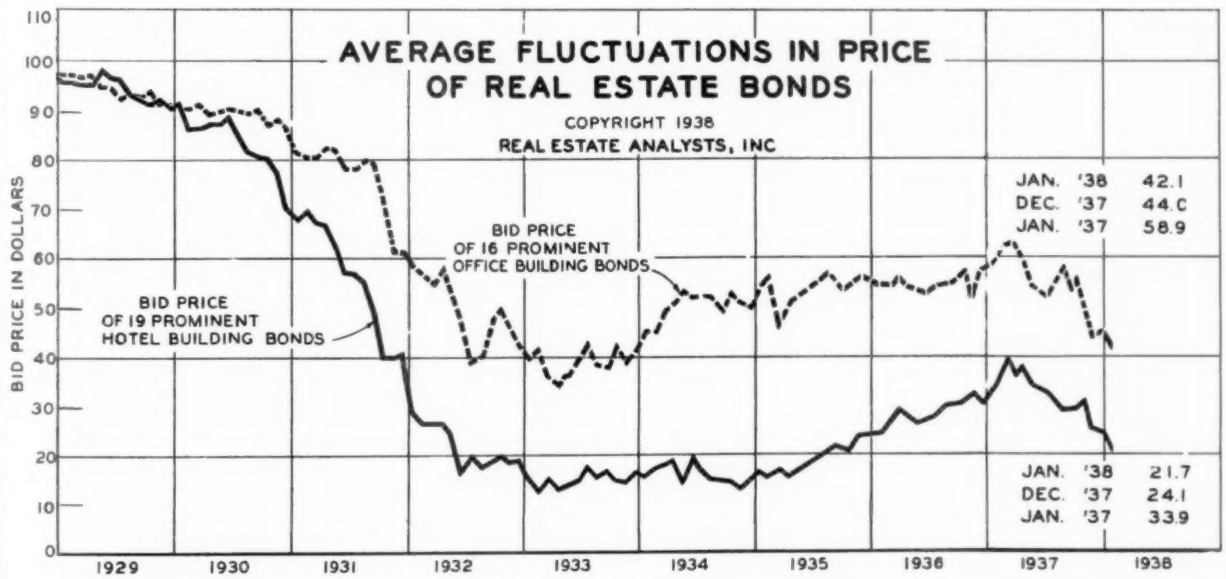
REAL ESTATE TRANSFERS IN PRINCIPAL CITIES
1930-1937



★ MONTHLY FIGURES NOT AVAILABLE



THE chart to the left shows the monthly fluctuations in the foreclosure rate in cities having more than one hundred thousand population. This chart is corrected for seasonal fluctuation and is based on the compilations made by the HOLC. The dashed line shows the trend at which foreclosures have been dropping for the past three years. The figure for November, which is the last figure available, showed no change from the October figure. It is 28.5% below the level of a year ago, 55.2% below the peak of 1935, and 57.8% below the all-time peak of 1933.



THE chart above shows the average fluctuations in the bid prices of office and hotel building bonds. It will be noticed that the trend of both office building and hotel building bonds has been sharply downward during most of 1937, conforming to the general trend in the security market. The buildings used are only those on which quotations can be secured monthly. The office building list includes the following: Broadway Motors, Bryant Park, Bush Terminal, Carbide and Carbon, Chesebrough, Chrysler, Cleveland Terminal, Equitable (N.Y.), Graybar, Grant, Liggett, One LaSalle Street, Postum, Textile, Wanamaker (Phila.), Woodbridge. The hotel list is composed of issues of the following: Bowman-Biltmore, Eastern Ambassador Hotel, Eppley Hotels, George Washington Hotels, Hotel Lexington, Hotel Sherman, Hotel St. George, LaSalle Hotel, Lord Baltimore, National Hotel of Cuba, Palace Hotel (San Francisco), Park Central Hotel, Pitts Hotel, Savoy-Plaza, Sevilla-Biltmore, Sherry-Netherland, Stevens Hotel, Waldorf-Astoria.